

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
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THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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February 18, 2003

Mr. Craig G. DeKany, Reimbursement Manager
HCR - Manor Care
Post Office Box 10086
Toledo, Ohio 43699-0086

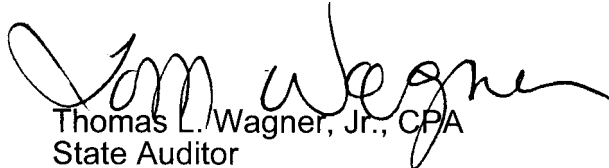
Re: AC# 3-ELH-J9 – Eagle Landing Health Care Center

Dear Mr. DeKany:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

EAGLE LANDING HEALTH CARE CENTER

HANAHAN, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-ELH-J9**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

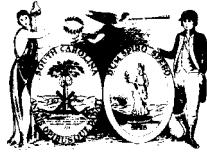
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 9, 2003

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Eagle Landing Health Care Center, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of Eagle Landing Health Care Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

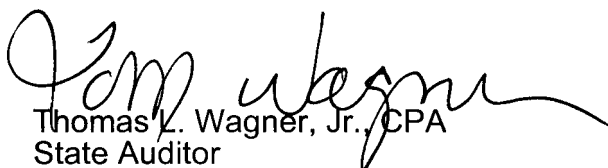
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Eagle Landing Health Care Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Eagle Landing Health Care Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
January 9, 2003

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

EAGLE LANDING HEALTH CARE CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-ELH-J9

10/01/00-
09/30/01

Interim Reimbursement Rate (1)	\$103.11
Adjusted Reimbursement Rate	<u>101.51</u>
Decrease in Reimbursement Rate	\$ <u><u>1.60</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

EAGLE LANDING HEALTH CARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2000 Through September 30, 2001
AC# 3-ELH-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$48.09	\$46.45	
Dietary		10.40	10.56	
Laundry/Housekeeping/Maintenance		<u>7.40</u>	<u>9.12</u>	
Subtotal	\$ <u>.24</u>	65.89	66.13	\$ 65.89
Administration & Medical Records	\$ <u>-</u>	<u>14.62</u>	<u>11.20</u>	<u>11.20</u>
Subtotal		80.51	<u>\$77.33</u>	77.09
<u>Costs Not Subject to Standards:</u>				
Utilities		2.72		2.72
Special Services		.13		.13
Medical Supplies & Oxygen		3.55		3.55
Taxes and Insurance		2.12		2.12
Legal Fees		<u>.23</u>		<u>.23</u>
TOTAL		<u>\$89.26</u>		85.84
Inflation Factor (3.20%)				2.75
Cost of Capital				8.75
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				.24
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Nurse Aide Staffing Add-On 10/01/99				1.40
Nurse Aide Staffing Add-On 10/01/00				<u>2.53</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$101.51</u>

EAGLE LANDING HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-ELH-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,643,382	\$ -	\$ 23,292 (5) 2,448 (5)	\$1,617,642
Dietary	353,001	-	3,078 (5)	349,923
Laundry	55,106	-	576 (5)	54,530
Housekeeping	101,735	568 (7)	1,204 (5) 560 (8)	100,539
Maintenance	95,120	520 (7)	1,293 (5) 512 (8)	93,835
Administration & Medical Records	499,440	600 (7)	3,365 (5) 249 (5) 2,421 (8) 2,073 (9)	491,932
Utilities	90,904	734 (4) 495 (7)	500 (8)	91,633
Special Services	4,386	36,646 (9)	36,672 (5)	4,360
Medical Supplies & Oxygen	134,848	5,422 (4)	11 (5) 20,815 (9)	119,444
Taxes and Insurance	91,999	477 (7)	20,792 (3) 385 (8)	71,299
Legal Fees	7,752	11 (7)	42 (8)	7,721

EAGLE LANDING HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-ELH-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Cost of Capital	311,480	36,527 (2) 2,143 (7)	44,970 (1) 1,691 (8) 9,096 (10)	294,393
Subtotal	3,389,153	84,143	176,045	3,297,251
Ancillary	136,824	-	12,839 (6)	123,985
Non-Allowable	519,419	44,970 (1) 20,792 (3) 72,188 (5) 12,839 (6) 6,111 (8) 9,096 (10)	36,527 (2) 4,814 (7) 13,758 (9)	630,316
Total Operating Expenses	<u>\$4,045,396</u>	<u>\$250,139</u>	<u>\$243,983</u>	<u>\$4,051,552</u>
Total Patient Days	<u>33,638</u>	<u>-</u>	<u>-</u>	<u>33,638</u>
Total Beds	<u>96</u>			

EAGLE LANDING HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-ELH-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 421,440	
	Other Equity	333,091	
	Nonallowable	44,970	
	Fixed Assets		\$ 754,531
	Cost of Capital		44,970
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	36,527	
	Nonallowable		36,527
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Nonallowable	20,792	
	Taxes and Insurance		20,792
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Utilities	734	
	Medical Supplies	5,422	
	Accounts Payable		6,156
	To properly charge expense applicable to the current period HIM-15-1, Section 2302.1		
5	Nonallowable	72,188	
	Nursing		23,292
	Restorative		2,448
	Dietary		3,078
	Laundry		576
	Housekeeping		1,204
	Maintenance		1,293
	Administration		3,365
	Medical Records		249
	Medical Supplies		11
	Special Services		36,672
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

EAGLE LANDING HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-ELH-J9

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Ancillary	12,839	12,839
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
7	Housekeeping	568	
	Maintenance	520	
	Administration	600	
	Legal	11	
	Utilities	495	
	Taxes and Insurance	477	
	Cost of Capital	2,143	
	Nonallowable		4,814
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
8	Nonallowable	6,111	
	Housekeeping		560
	Maintenance		512
	Administration		2,421
	Legal		42
	Utilities		500
	Taxes and Insurance		385
	Cost of Capital		1,691
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Special Services	36,646	
	Administration		2,073
	Medical Supplies		20,815
	Nonallowable		13,758
	To adjust special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

EAGLE LANDING HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-ELH-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable Cost of Capital	9,096	9,096
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$1,004,670</u>	<u>\$1,004,670</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

EAGLE LANDING HEALTH CARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-ELH-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>96</u>
Deemed Asset Value	3,471,840
Improvements Since 1981	261,096
Accumulated Depreciation at 9/30/99	<u>(924,822)</u>
Deemed Depreciated Value	2,808,114
Market Rate of Return	<u>.060</u>
Total Annual Return	168,487
Return Applicable to Non-Reimbursable Cost Centers	(905)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>1,007</u>
Allowable Annual Return	168,589
Depreciation Expense	125,782
Amortization Expense	1,713
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,691)</u>
Allowable Cost of Capital Expense	294,393
Total Patient Days (Minimum 96% Occupancy)	<u>33,638</u>
Cost of Capital Per Diem	\$ <u><u>8.75</u></u>

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